

111TH CONGRESS
1ST SESSION

S. 1287

To provide for the audit of financial statements of the Department of Defense for fiscal year 2017 and fiscal years thereafter, and for other purposes.

IN THE SENATE OF THE UNITED STATES

JUNE 18, 2009

Mr. MCCAIN (for himself, Mr. COBURN, and Mr. GRASSLEY) introduced the following bill; which was read twice and referred to the Committee on Armed Services

A BILL

To provide for the audit of financial statements of the Department of Defense for fiscal year 2017 and fiscal years thereafter, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Department of Defense
5 Financial Accountability Act of 2009”.

6 **SEC. 2. AUDIT OF FINANCIAL STATEMENTS OF THE DE-**
7 **PARTMENT OF DEFENSE.**

8 (a) FINANCIAL STATEMENTS OF DEPARTMENT OF
9 DEFENSE.—

1 (1) VALIDATION AS READY FOR AUDIT.—The
2 financial statements of the Department of Defense
3 for a fiscal year shall be validated as ready for audit
4 by not later than September 30, 2017.

5 (2) AUDIT.—The financial statements of the
6 Department of Defense for a fiscal year shall be au-
7 dited, and an opinion shall be rendered pursuant to
8 such audit, for the first fiscal year for which the fi-
9 nancial statements are ready for audit, but not later
10 than fiscal year 2017, and for each fiscal year there-
11 after.

12 (3) DEADLINE FOR AUDIT.—The audit of the
13 financial statements of the Department of Defense
14 shall be completed as follows:

15 (A) In the event the financial statements
16 for a fiscal year before fiscal year 2017 are
17 ready for audit, by not later than two years
18 after the last day of such fiscal year.

19 (B) In the case of the financial statement
20 fiscal year 2017, by not later than September
21 30, 2019.

22 (C) In the case of the financial statement
23 for any fiscal year after fiscal year 2017, by not
24 later than one year after the last day of such
25 fiscal year.

1 (b) FINANCIAL STATEMENTS OF THE MILITARY DE-
2 PARTMENTS AND DLA.—In furtherance of compliance
3 with the requirements in subsection (a), the following re-
4 quirements shall apply:

5 (1) DEPARTMENT OF THE ARMY.—

6 (A) VALIDATION AS READY FOR AUDIT.—

7 The financial statements of the Department of
8 the Army for a fiscal year shall be validated as
9 ready for audit by not later than March 31,
10 2017.

11 (B) AUDIT.—The financial statements of
12 the Department of the Army for a fiscal year
13 shall be audited, and an opinion shall be ren-
14 dered pursuant to such audit, for the first fiscal
15 year for which the financial statements are
16 ready for audit, but not later than fiscal year
17 2017, and for each fiscal year thereafter.

18 (C) DEADLINE FOR AUDIT.—The audit of
19 the financial statements of the Department of
20 Army shall be completed as follows:

21 (i) In the event the financial state-
22 ments for a fiscal year before fiscal year
23 2017 are ready for audit, by not later than
24 two years after the last day of such fiscal
25 year.

1 (ii) In the case of the financial state-
 2 ment fiscal year 2017, by not later than
 3 September 30, 2019.

4 (iii) In the case of the financial state-
 5 ment for any fiscal year after fiscal year
 6 2017, by not later than one year after the
 7 last day of such fiscal year.

8 (2) DEPARTMENT OF THE NAVY.—

9 (A) VALIDATION AS READY FOR AUDIT.—
 10 The financial statements of the Department of
 11 the Navy for a fiscal year shall be validated as
 12 ready for audit by not later than March 31,
 13 2016.

14 (B) AUDIT.—The financial statements of
 15 the Department of the Navy for a fiscal year
 16 shall be audited, and an opinion shall be ren-
 17 dered pursuant to such audit, for the first fiscal
 18 year for which the financial statements are
 19 ready for audit, but not later than fiscal year
 20 2016, and for each fiscal year thereafter.

21 (C) DEADLINE FOR AUDIT.—The audit of
 22 the financial statements of the Department of
 23 Navy shall be completed as follows:

24 (i) In the event the financial state-
 25 ments for a fiscal year before fiscal year

2016 are ready for audit, by not later than two years after the last day of such fiscal year.

(ii) In the case of the financial statement fiscal year 2016, by not later than September 30, 2018.

(iii) In the case of the financial statement for any fiscal year after fiscal year 2016, by not later than one year after the last day of such fiscal year.

(3) DEPARTMENT OF THE AIR FORCE.—

(A) VALIDATION AS READY FOR AUDIT.—

The financial statements of the Department of the Air Force for a fiscal year shall be validated as ready for audit by not later than September 30, 2016.

(B) AUDIT.—The financial statements of the Department of the Air Force for a fiscal year shall be audited, and an opinion shall be rendered pursuant to such audit, for the first fiscal year for which the financial statements are ready for audit, but not later than fiscal year 2016, and for each fiscal year thereafter.

1 (C) DEADLINE FOR AUDIT.—The audit of
2 the financial statements of the Department of
3 the Air Force shall be completed as follows:

4 (i) In the event the financial state-
5 ments for a fiscal year before fiscal year
6 2016 are ready for audit, by not later than
7 two years after the last day of such fiscal
8 year.

9 (ii) In the case of the financial state-
10 ment fiscal year 2016, by not later than
11 September 30, 2018.

12 (iii) In the case of the financial state-
13 ment for any fiscal year after fiscal year
14 2016, by not later than one year after the
15 last day of such fiscal year.

16 (4) DEFENSE LOGISTICS AGENCY.—

17 (A) VALIDATION AS READY FOR AUDIT.—
18 The financial statements of the Defense Logis-
19 tics Agency for a fiscal year shall be validated
20 as ready for audit by not later than September
21 30, 2017.

22 (B) AUDIT.—The financial statements of
23 the Defense Logistics Agency for a fiscal year
24 shall be audited, and an opinion shall be ren-
25 dered pursuant to such audit, for the first fiscal

1 year for which the financial statements are
2 ready for audit, but not later than fiscal year
3 2017, and for each fiscal year thereafter.

4 (C) DEADLINE FOR AUDIT.—The audit of
5 the financial statements of the Defense Logis-
6 tics Agency shall be completed as follows:

7 (i) In the event the financial state-
8 ments for a fiscal year before fiscal year
9 2017 are ready for audit, by not later than
10 two years after the last day of such fiscal
11 year.

12 (ii) In the case of the financial state-
13 ment fiscal year 2017, by not later than
14 September 30, 2019.

15 (iii) In the case of the financial state-
16 ment for any fiscal year after fiscal year
17 2017, by not later than one year after the
18 last day of such fiscal year.

19 (c) VALIDATION AS READY FOR AUDIT OF FINAN-
20 CIAL STATEMENTS REGARDING PARTICULAR MATTERS.—

21 In furtherance of compliance with the requirements in
22 subsections (a) and (b), the following requirements shall
23 apply:

24 (1) MILITARY EQUIPMENT.—

1 (A) DEPARTMENT OF THE ARMY.—The fi-
2 nancial statements of the Department of the
3 Army with respect to military equipment shall
4 be validated as ready for audit by not later
5 than December 31, 2013.

6 (B) DEPARTMENT OF THE NAVY.—The fi-
7 nancial statements of the Department of the
8 Navy with respect to military equipment shall
9 be validated as ready for audit by not later
10 than September 30, 2014.

11 (C) DEPARTMENT OF THE AIR FORCE.—
12 The financial statements of the Department of
13 the Air Force with respect to military equip-
14 ment shall be validated as ready for audit by
15 not later than March 31, 2016.

16 (2) REAL PROPERTY.—

17 (A) DEPARTMENT OF THE ARMY.—The fi-
18 nancial statements of the Department of the
19 Army with respect to real property shall be vali-
20 dated as ready for audit by not later than De-
21 cember 31, 2013.

22 (B) DEPARTMENT OF THE NAVY.—The fi-
23 nancial statements of the Department of the
24 Navy with respect to real property shall be vali-

1 dated as ready for audit by not later than
2 March 31, 2014.

3 (C) DEPARTMENT OF THE AIR FORCE.—
4 The financial statements of the Department of
5 the Air Force with respect to real property shall
6 be validated as ready for audit by not later
7 than September 30, 2014.

8 (D) DEFENSE LOGISTICS AGENCY.—The
9 financial statements of the Defense Logistics
10 Agency with respect to real property shall be
11 validated as ready for audit by not later than
12 March 31, 2015.

13 (3) INVENTORY.—

14 (A) DEPARTMENT OF THE ARMY.—The fi-
15 nancial statements of the Department of the
16 Army with respect to inventory shall be vali-
17 dated as ready for audit by not later than
18 March 31, 2017.

19 (B) DEPARTMENT OF THE NAVY.—The fi-
20 nancial statements of the Department of the
21 Navy with respect to inventory shall be vali-
22 dated as ready for audit by not later than De-
23 cember 31, 2013.

24 (C) DEPARTMENT OF THE AIR FORCE.—
25 The financial statements of the Department of

1 the Air Force with respect to inventory shall be
2 validated as ready for audit by not later than
3 September 30, 2016.

4 (D) DEFENSE LOGISTICS AGENCY.—The
5 financial statements of the Defense Logistics
6 Agency with respect to inventory shall be vali-
7 dated as ready for audit by not later than Sep-
8 tember 30, 2015.

9 (4) OPERATING MATERIAL AND SUPPLIES.—

10 (A) DEPARTMENT OF THE ARMY.—The fi-
11 nancial statements of the Department of the
12 Army with respect to operating material and
13 supplies shall be validated as ready for audit by
14 not later than March 31, 2017.

15 (B) DEPARTMENT OF THE NAVY.—The fi-
16 nancial statements of the Department of the
17 Navy with respect to operating material and
18 supplies shall be validated as ready for audit by
19 not later than March 31, 2016.

20 (C) DEPARTMENT OF THE AIR FORCE.—
21 The financial statements of the Department of
22 the Air Force with respect to operating mate-
23 rials and supplies shall be validated as ready for
24 audit by not later than September 30, 2016.

25 (5) ENVIRONMENTAL LIABILITIES.—

1 (A) DEPARTMENT OF THE ARMY.—The fi-
2 nancial statements of the Department of the
3 Army with respect to environmental liabilities
4 shall be validated as ready for audit by not
5 later than December 31, 2013.

6 (B) DEPARTMENT OF THE NAVY.—The fi-
7 nancial statements of the Department of the
8 Navy with respect to environmental liabilities
9 shall be validated as ready for audit by not
10 later than March 31, 2010.

11 (C) DEPARTMENT OF THE AIR FORCE.—
12 The financial statements of the Department of
13 the Air Force with respect to environmental li-
14 abilities shall be validated as ready for audit by
15 not later than December 31, 2011.

16 (D) DEFENSE LOGISTICS AGENCY.—The
17 financial statements of the Defense Logistics
18 Agency with respect to environmental liabilities
19 shall be validated as ready for audit by not
20 later than September 30, 2017.

21 (6) FUND BALANCE WITH THE TREASURY.—

22 (A) DEPARTMENT OF THE ARMY.—The fi-
23 nancial statements of the Department of the
24 Army with respect to the fund balance with the

1 Treasury shall be validated as ready for audit
2 by not later than September 30, 2010.

3 (B) DEPARTMENT OF THE NAVY.—The fi-
4 nancial statements of the Department of the
5 Navy with respect to the fund balance with the
6 Treasury shall be validated as ready for audit
7 by not later than December 31, 2010.

8 (C) DEPARTMENT OF THE AIR FORCE.—
9 The financial statements of the Department of
10 the Air Force with respect to the fund balance
11 with the Treasury shall be validated as ready
12 for audit by not later than December 31, 2011.

13 (D) DEFENSE LOGISTICS AGENCY.—The
14 financial statements of the Defense Logistics
15 Agency with respect to the fund balance with
16 the Treasury shall be validated as ready for
17 audit by not later than September 30, 2011.

18 (d) PERFORMANCE OF AUDITS AND VALIDATIONS.—
19 Any audit or validation as ready for audit of a financial
20 statement required under subsections (a) through (c) may
21 be performed by an independent auditor qualified for the
22 performance of such audit or validation, as the case may
23 be.

24 (e) ACTION IF COMPLIANCE NOT ACHIEVED.—

1 (1) IN GENERAL.—In the event the Department
2 of Defense or a component of the Department of
3 Defense is unable to achieve compliance with a re-
4 quirement in subsection (a), (b), or (c) by the com-
5 pletion date for such requirement otherwise specified
6 in the applicable provision of such subsection, the
7 Secretary of Defense or the head of the component,
8 as applicable, shall submit to the appropriate com-
9 mittees of Congress, not later than 30 days after the
10 completion date otherwise so specified, a report set-
11 ting forth the following:

12 (A) A statement of the reasons why com-
13 pliance with the requirement was not achieved
14 by the completion date for the requirement.

15 (B) A description of the actions to be
16 taken to achieve compliance with the require-
17 ment.

18 (C) A proposed completion date for
19 achievement of compliance with the require-
20 ment.

21 (2) CONSTRUCTION.—Nothing in this sub-
22 section shall be construed to waive any deadline for
23 the completion of a requirement under subsections
24 (a) through (c).

1 (f) SEMIANNUAL REPORTS ON FINANCIAL IMPROVE-
2 MENT AUDIT READINESS PLAN.—

3 (1) IN GENERAL.—Not later than May 15 and
4 November 15 each year, the Under Secretary of De-
5 fense (Comptroller) shall submit to the appropriate
6 committees of Congress a report on progress under
7 the financial improvement audit readiness (FIAR)
8 plan during two calendar year quarters ending
9 March 31 and September 30, respectively, of such
10 year.

11 (2) ELEMENTS.—Each report under paragraph
12 (1) shall include, for the two calendar year quarters
13 covered by such report, the following with respect to
14 the portion of such report relating to priority seg-
15 ments:

16 (A) A detailed description of any defi-
17 ciencies identified during discovery.

18 (B) A description of the actions to be
19 taken to remedy any deficiency so identified.

20 (C) A deadline for the completion of any
21 actions set forth under subparagraph (B).

22 (g) DEFINITIONS.—In this section:

23 (1) APPROPRIATE COMMITTEES OF CON-
24 GRESS.—The term “appropriate committees of Con-
25 gress” means—

1 (A) the Committee on Armed Services and
2 the Committee on Homeland Security and Gov-
3 ernmental Affairs of the Senate; and

4 (B) the Committee on Armed Services and
5 the Committee on Oversight and Government
6 Reform of the House of Representatives.

7 (2) VALIDATION.—The term “validation”, with
8 respect to the auditability of financial statements,
9 means a determination following an examination en-
10 gagement that the financial statements comply with
11 generally accepted accounting principles and applica-
12 ble laws and regulations and reflect reliable internal
13 controls.

○